



CITY OF IOWA CITY MEMORANDUM

Date: November 28, 2023

To: Climate Action Commission

From: Sarah J. Gardner, Climate Action Coordinator

Re: Whole Home Electrification/Housing Choice Voucher Pilot Program

Background

The purpose of this memo is to outline a pilot program to launch in January 2024 that will incentivize energy efficiency, weatherization, and electrification upgrades in single family and duplex residences operated as rental units. Under this program, landlords will be offered a grant to cover the cost of whole home upgrades and in return will accept Housing Choice Vouchers (often referred to as Section 8 vouchers) for the following five years at the property.

This program flows from action items in the *Accelerating Iowa City's Climate Actions Plan*, that call for financial incentives to accelerate electrification and likewise to rehabilitate public housing units into net-zero properties. It also builds on previous successes under a program pilots in 2021, which provided energy efficiency and electrification upgrades to duplex properties in the South District Homeownership Program.

Program Description

This pilot program was developed as a collaboration between the Climate Action and Outreach Division and the Housing Authority of Iowa City. Under the program, staff propose to offer grants to cover the cost in full for both equipment and installation of a number of energy efficiency and electrification upgrades within a single rental property. Eligible property improvements under the grant would include:

- Increased attic insulation, up to R-60, combined with air sealing and ventilation
- Replacement of exterior doors and windows as needed
- Replacement of a gas or electric water heater with an air source heat pump water heater
- Replacement of air conditioning unit and gas or electric furnace with an air source heat pump
- Replacement of gas stove with an electric stove or induction range
- Electrical service panel upgrade

Based on the property upgrades under the South District Homeownership Program, these grants are estimated to total between \$20,000 and \$25,000 per property. Staff propose to administer the grants using a process established through other Housing Authority programs. The grants will be structured similarly to a forgivable loan in which 20% of the balance will be retired for each of the five years in which the participating landlord accepts Housing Choice Vouchers at the property. Should a landlord cease to do so, the remaining portion of the grant

would be repaid to the City. A legal agreement between the City and landlord establishing these terms will be enacted at the time the grant is awarded.

Under this program, both landlords currently accepting Housing Choice Vouchers at other properties and landlords who have previously not accepted Housing Choice Vouchers would be eligible to participate, so long as the property receiving the energy efficiency and electrification benefits has not previously been rented to tenants using Housing Choice Vouchers.

Goals

The aim of this program is to reduce the energy burden born by renters in Iowa City, contribute to the comfort and health of occupants of these homes, and increase access to safe, affordable housing within the community. Housing Authority staff identified single family residences as the focus of this program specifically because such residences are more likely in Iowa City to house families with young children.

A frequent point of discussion in Climate Action Commission meetings has centered on how to improve the energy efficiency of the city's rental housing stock without simultaneously catalyzing an increase in rents. By pairing the grant incentives with a requirement to accept Housing Choice Vouchers, staff seek to address that question. This program is built on the principals of targeted universalism. As such, the pilot program offers multiple benefits. Tenants benefit from lower energy bills, new efficient appliances, and the stable pricing of electricity. Landlords benefit from assistance to improve their properties and, because there are lower rates of turnover in units rented to those using Housing Choice Vouchers, secure longer-term tenants, which helps reduce operational costs. Finally, the City of Iowa City benefits from the acceleration of household electrification that capitalize on the significant investments made by MidAmerican Energy into clean, renewable grid energy, which supports the city's greenhouse gas reduction goals.

In addition, this pilot project offers a possible tool to aid in addressing another hurdle encountered by the City in recent years. Following the passage of Senate File 252 in 2021 by the state legislature, the ability of Iowa cities and counties to adopt and enforce regulations that prevent landlords from refusing to rent to those using a Housing Choice Vouchers was preempted by the state. Iowa City was one of three communities impacted by this legislation and has since sought alternate means of increasing the availability of rental properties to those using Housing Choice Vouchers. This pilot program can effectively act as a significant incentive to do so.

Funding

For the last two quarters of fiscal year 2024 and first two quarters of fiscal year 2025, \$125,000 of the Climate Action Emergency Levy funds have been identified to support the pilot. Climate Action staff are actively exploring additional funding avenues to help expand the program, including possible Climate Pollution Reduction Grant funds under the Inflation Reduction Act. Staff additionally have the option of drawing upon the balance of funds in the Emergency Levy as appropriate.